



Association of Bay Area Governments  
**ABAG PLAN CORPORATION**

**\*Special\*** Executive Committee  
Summary Minutes

101 8<sup>th</sup> Street, Oakland, CA 94607  
ABAG Training Center  
October 21<sup>st</sup>, 2015  
11:30 am – 1:30 pm

**Presiding:**

Kevin Bryant

**Jurisdiction:**

Woodside

**Committee Members Present:**

Jesse Takahashi  
Renee Gurza  
Mike Taylor  
Ann Ritzma  
Heather McLaughlin

Campbell  
Morgan Hill  
Saratoga  
Foster City  
Benicia

**Present via Telecon:**

Emma Karlen

Milpitas

**Legal Representatives:**

Bob Lanzone – PLAN Attorney

**ABAG PLAN Corporation - Staff Present:**

Ezra Rapport, ABAG Executive Director  
Kenneth Moy, ABAG Legal Counsel  
Jim Hill, ABAG PLAN Risk Manager  
Kim Chase, ABAG PLAN Administrative Assistant

**1. Meeting Called to Order:**

Kevin Bryant, called meeting to order at 11:34am

**2. Public Comments:**

No members of the public were present.

**3. PLAN Strategic Planning – ABAG/MTC Merger Consolidation Impact**

Staff presented a report informing the committee the Metropolitan Transportation Commission (MTC) has put forth a recommendation to consolidate specific elements of ABAG's planning function which will also eliminate certain funding for ABAG's planning unit. The staff report contained attachments to key committee and board discussion on the subject matter.

Staff noted some of the broad implications associated with the proposed MTC action. Most notably was the potential adverse impact to ABAG operations and finances. The MTC action would not only reduce funding for planning operations moving forward but could also have a significant impact on ABAG's enterprise funds, notably PLAN, one of its largest.

Ezra Rapport, ABAG Executive Director provided the Committee with an overview of the situation and offered his perspective on the direction and future of ABAG in light of the current events. Ezra began the discussion stating ABAG PLAN is an important element of ABAG and recognized as such by our council of governments. He wants no issues or failure of our enterprises which includes adequate funding, financing and support services. Part of ABAG's core mission is to retain PLAN.

Ezra reflected back to the time PLAN looked at the overall program structure and costs which resulted in outsourcing the claims administrative function. ABAG replaced the claims staff saving PLAN significant money but took a reduction of overhead funding as a result of it. ABAG tightened their belts and only had a small increase in overhead rate. ABAG took the steps that were necessary to do what was best for PLAN. He informed the EC that ABAG will not let anything that is being discussed now impact ABAG's ability to service PLAN. If the day ever comes that ABAG cannot adequately service or support PLAN, ABAG will develop a transition plan and provide support to ensure nothing bad happens to PLAN. PLAN's interests are first!

Ezra noted the proposal being made by MTC is very unpopular. He referenced an ABAG website link containing all correspondence, statements and memorandums of discussions between the two agencies and other associations. Jim stated all of the information is being provided for transparency purposes. Ezra noted there are options being explored that do not impact ABAG finances. He applauded staff (Jim) for looking into all possibilities for PLAN and recognizes that it is part of the due diligence process. He indicated after October 28<sup>th</sup>, we may not have to look at any other possibilities. He assured the Executive Committee PLAN is a high priority and asked if there were any questions. He noted that during the September MTC Commission meeting it was clear there would be action taken towards restoring full fiscal year funding and he hasn't heard anything to the contrary.

Jesse Takahashi asked about other ABAG grant funding and MTC's obligation to fund based on the legislation. Renee Gurza asked if the union was involved. Ezra noted that the union is fully engaged and Ken commented on the statutory issues (legislation).

Mike Taylor inquired as to the December retirement of the Risk Management Officer. Staff confirmed the impending date and further remarked that his retirement has been planned for some time now, however, the timing is very problematic given the current events. He stated he is committed to the organization and would like to stay involved and engaged through the end of the process. He discussed ABAG's move to San Francisco and noted this was one of the factors in the timing of his retirement.

Jim also stated that upon concurrence with the PLAN Executive Committee and the ABAG Executive Director, he would be more than willing to stay on an additional six months to assist in the PLAN strategic planning process. Jim also mentioned the complexity in recruiting for his replacement during this process (MTC/ABAG merger discussions). Ezra was in agreement and said the MTC issue needs to be resolved.

Ezra mentioned a couple of senior management people that were thinking about how they could step up their role during the transition. Succession planning is important to ABAG. Jesse Takahashi asked if MTC can legally do what they propose. Ezra stated the legislature clearly states ABAG is in charge of land use planning. ABAG has also requested explanation of the issues MTC used to make this proposal and they haven't received answers. He noted that the ABAG planners are fully engaged within the two agencies.

Jesse Takahashi asked what can PLAN members do given their own connections to MTC commissioners. How they can inform and educate them on impacts? Ezra discussed some of positions of the commissioners and how he thinks they stand on the matter. He stated it is very important to reach out to the commissioners. PLAN EC was agreeable to reaching out to their political constituents to inform them of the importance of PLAN to its member agencies.

Bob Lanzone asked about timing in a worst case scenario in terms of the end of MTC funding and emphasized PLAN's need to have ample time to strategize. He inquired as to how much time it will take to get into or be managed by another pool. Jim stated a minimum of 6 months given the size and complexity of PLAN.

Renee Gurza asked if PLAN Board members could have 3 bullet points which outline the implications to provide to political representatives. Ezra said if MTC proceeds with this proposal we will have fewer resources to staff the pool effectively. Ken Moy stated it may take a year or more for a full study and implementation of a merger between the two agencies. Kevin Bryant stated we (PLAN) need to prepare for all outcomes and reminded the group that PLAN "portability" issues have already been addressed.

Ann Ritzma asked about the spread of ABAG costs to other enterprise funds and any impact to PLAN overhead cost. Ezra mentioned the Estuary is not a big contributor to overhead as they are housed in a state building and their overhead contribution is adjusted for that reason. Bay Ren (POWER) has 4 employees and they are a small contributor as well. Ken Moy mentioned the FAN group currently has only one employee but FAN does have the capability to generate excess revenues. Ezra indicated he would have to rebuild the entire overhead system. Ann sought confirmation that ABAG overhead costs are primarily distributed between PLAN and ABAG Planners. Ezra responded by noting that most of ABAG overhead costs are borne by the planning group given the salary distribution method.

Kevin asked Ezra to elaborate on the unfunded pension liability. Ezra explained we have always paid what PERS has required. Kevin asked how much unfunded liability there was and Ezra stated \$12 million in current liabilities which he noted can turn into \$34 million if the program goes into default based on CALPERs termination clause. Ken Moy affirmed the debts and liabilities of ABAG are not the debts and liabilities of any program or enterprise fund.

Ezra closed by asking Executive Committee Members to discuss with their councilmembers the implications with the MTC proposal. Kevin Bryant stated that we have a Board Meeting in December and wanted to know if the entire Board was clued into this. He referred to some of the alternatives presented in Jim's staff report. The options presented to the Executive Committee were based on fundamental approaches to insurance, risk and pool management and the pro/cons of each approached were touched on in his report. His report did note the high degree of "organizational risk" PLAN faces due to the uncertainty of outcomes at this time. He also commented on some aggressive marketing activity by certain competitors and potential withdrawal requests and their impact to the program stability.

Jim noted the upcoming MTC Commission meeting (Oct 28<sup>th</sup>) and informed the EC that it will include an action item on this subject. Jim advised the group that open communications and full transparency compelled PLAN staff to inform the committee prior to the upcoming MTC meeting. Staff noted the EC will get back together after the next MTC meeting for further dialog based on any action taken at the meeting.

Kevin stated members are already looking around based on uncertainty. Kevin mentioned PLAN is an independent entity and the Board needs to understand the fundamentals of the pool. He stated we are an independent corporation and services are provided by an agreement with ABAG but ultimately we have an entity that is portable. He noted if PLAN members desire to stay together we can shop those services collectively versus 28 agencies looking for insurance independently. Jim noted the favorable economies of group purchasing power and also noted the potential instability created in the insurance and pool markets by a significant disruption of the PLAN program. Kevin noted he had a brief conversation with a consultant looking to market his program and was told that they won't find a better program for the price.

Ann wants PLAN to address the matter in the terms of risk of uncertainty. Ann wants to ensure that communication with the Full Board is taking place. Ezra concurred and charged Jim with communicating to the Board by Friday 10/23/15. Ezra said the MTC October 28<sup>th</sup>, commission meeting material will be posted on ABAG's website. Kim will poll the group to determine availability to meet via teleconference after the MTC October 28<sup>th</sup> meeting.

Staff summarized by stating PLAN staff at the direction of the Board/Executive Committee will work closely with the EC and ABAG Executive Director to develop a plan of action which provides clear guidance in terms of how both ABAG and PLAN will address the uncertainty associated with the proposed ABAG/MTC merger/consolidation discussion.

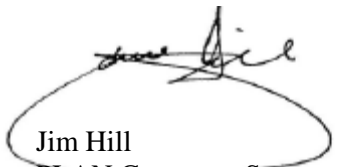
It was noted the primary goal of the Executive Committee will be to ensure the viability of the PLAN program and reduce any exposure to PLAN members regarding organizational risk and also hedge against any ultimate increase in program costs (administrative cost increase). The Committee will remain cognizant of the impact to ABAG, ABAG PLAN and each member agency when formulating its options.

PLAN Executive Committee will encourage open and ongoing dialog with ABAG leadership during the evaluation process.

**4. Other Business – Announcements - No other business**

**5. Adjourn:** Kevin Bryant adjourned meeting at 12:51pm

Respectfully Submitted,



Jim Hill  
PLAN Corporate Secretary  
Risk Management Officer